

DG 01-066

**NEW HAMPSHIRE GAS CORPORATION**

**2001 Summer Cost of Gas**

**Order Approving the Cost of Gas**

**O R D E R    N O.    23,685**

**April 20, 2001**

**APPEARANCES:** Ransmeier & Spellman by Dom S. D'Ambruso, Esq., on behalf of New Hampshire Gas Corporation; and Marcia Thunberg, Esq., for the Staff of the New Hampshire Public Utilities Commission.

**I.    PROCEDURAL HISTORY**

On April 2, 2001, New Hampshire Gas Corporation (NHGC), a public utility engaged in the business of distributing gas in Keene, New Hampshire, filed with the New Hampshire Public Utilities Commission (Commission) its Cost of Gas (COG) rate for the period May 1, 2001 through October 31, 2001. NHGC's filing was accompanied by the pre-filed testimony and supporting attachments of Mark A. Cole, General Manager for NHGC.

An Order of Notice was issued on April 2, 2001 setting a hearing for April 16, 2001. NHGC informed customers of the impending change by publishing a copy of the Order of Notice in the Keene Sentinel on April 5, 2001.

There were no intervenors in this docket. A duly noticed hearing on the merits was held at the Commission on

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April 16, 2001.

## II. POSITIONS OF THE PARTIES AND STAFF

### A. New Hampshire Gas Corporation

NHGC witness Mark A. Cole, General Manager, addressed the following issues: 1) calculation of the COG rate and the impact on customer bills; 2) reasons contributing to the increased rate; and 3) gas supply purchasing policies.

#### 1. Calculation of the COG Rate and Customer Impact

The proposed 2001 Summer COG rate of \$0.8421 per therm was calculated by increasing the anticipated cost of gas of \$193,274 by a prior period under-collection and related interest of \$7,655 and dividing the resulting anticipated costs of \$200,929 by projected therm sales of 238,605.

NHGC's proposed 2001 Summer COG rate of \$0.8421 per therm represents a decrease of \$0.0710 per therm from the 2000 weighted average Summer COG rate of \$0.9131 per therm.

The proposed 2001 Summer COG rate was calculated by using the weighted average cost of propane based on the futures prices posted on the New York Mercantile Exchange. The calculation used the settlement prices for March 30, 2001 for the months of May 2001 through October 2001, plus brokers' fees and pipeline transportation fees.

The \$0.0710 per therm decrease in the Summer COG rate results in a decrease of \$1.42 (4.2%) in the average

monthly bill of a typical residential customer.

## **2. Factors Contributing to the Decreased COG**

Mr. Cole explained that there was a slight decrease in the under collection and related interest, from \$16,081 in the 2000 Summer COG rate calculation to \$7,655 to be recovered in the 2001 Summer COG rate. But more significantly, there was a decrease in the projected propane prices for this summer period compared to actual propane prices in the summer of 2000.

## **3. Gas Supply Purchasing Policies**

Pursuant to the Operating and Propane-air Sales Supply Agreement entered into between NHGC and Keene Gas Corporation (KGC) at the time NHGC acquired the utility franchise and distribution properties, KGC continues to manufacture the propane-air product which NHGC purchases for distribution and resale to its utility customers. The arrangement remains in effect until NHGC builds its own supply plant. Until that time, Mr. Cole consults with the KGC purchasing agent regarding propane purchasing strategies. To date, the KGC purchasing policies have been consistent with those of NHGC's parent company, New York State Electric & Gas Corporation.

Mr. Cole testified that NHGC has solicited bids from

plant builders and expects to have a new plant in service for the 2002/2003 winter period. Mr. Cole also testified that owners of proposed new construction in the NHGC franchise area have requested service upon completion which would increase NHGC sales by 15%. Without the new plant, NHGC would be unable to serve that additional load.

Mr. Cole testified that NHGC was not offering a Fixed Price Option (FPO) for customers during the 2001 Summer period because NHGC wished to review the success of its pilot FPO program implemented this winter, which ends April 30, 2001. Mr. Cole also testified that propane futures prices for the summer are relatively high compared to prior summers and have been holding fairly steady. The anticipation is that there will be limited movement in propane prices over the summer period and that prices could drift downward.

**B. Staff**

Staff stated that it had reviewed the filing and recommended approval of the proposed COG rate, noting that fuel purchasing for the period is consistent with prior periods and that the 2001 Summer gas costs would be reconciled and reviewed during NHGC's 2002 Summer period COG proceeding.

Staff supported NHGC's decision not to offer a Fixed Price Option for its summer customers at this time, noting

that the risk exposure was limited during the summer period due to low consumption.

Staff recommended NHGC consider a change in customer billing, moving to a service rendered from a bills rendered basis. Staff also recommended NHGC explore various options that would allow for more timely customer notification when implementing monthly COG rate changes and implementing those options that could be done at a reasonable cost.

### **III. COMMISSION ANALYSIS**

After careful review of the record in this docket, we find that NHGC's proposed COG rate will result in just and reasonable rates. Accordingly, we accept and approve NHGC's proposed 2001 Summer COG rate.

We believe NHGC's decision not to offer a FPO program for the summer months is reasonable and in the public interest. While price fluctuations are always a concern, such fluctuations during the summer months have considerably less impact on customers than in the winter period, when customer usage is much greater. Also, current market conditions appear to be such that a reasonable probability of a price decrease exists and such a decrease would only benefit customers if current prices are not locked in. We expect NHGC to continue monitoring the propane markets and propose changes in

purchasing strategies and/or pricing services if market conditions so merit.

The Commission has recently proposed a rule change to NH Admin. Rules Puc 1203.05(b) that, if approved, would require COG rate changes to be billed on a service-rendered basis, rather than a bills-rendered basis. Under service-rendered billing, customers pay the approved rate for usage on or after the effective date of the approved rate change, regardless of when billed for that service. New Hampshire's other gas utilities have implemented service rendered billings effective May 1, 2001. If the proposed rule change is approved, NHGC will be required to implement service rendered billings for COG rate changes or request a waiver of the new rule. We direct NHGC to investigate how best to implement this billing change for the 2001/2002 winter period or explain why it would not be in the public's best interest to implement such a change.

We are concerned that customers are not receiving timely notice of monthly COG rate adjustments. Monthly changes are limited to 20% of the approved COG rate and are implemented the first of each month. NHGC gas meters are read the first week of the month and bills are mailed out over the

remainder of the month through a normal billing cycle, with any change in the monthly rate noted on the current bill. Customers early in the billing cycle have the opportunity to respond to a monthly COG rate change, but those late in the billing cycle are not afforded the same opportunity. To enable all customers to respond to rate changes on a timely basis, we direct NHGC to explore cost effective methods to provide notification to customers of monthly COG rate changes for implementation no later than the 2001/2002 winter period.

**Based upon the foregoing, it is hereby**

**ORDERED,** that NHGC's proposed Summer COG rate of \$0.8421 per therm for the period May 1, 2001 through October 31, 2001 is APPROVED effective for bills rendered on or after May 1, 2001; and it is

**FURTHER ORDERED,** that NHGC may, without further Commission action, adjust the approved Winter COG rate of \$0.8421 per therm upward or downward monthly based on NHGC's calculation of the projected over or under collection for the period, but the cumulative adjustments shall not vary more than twenty percent (20%) from the approved unit cost of gas (or \$0.1684 per therm); and it is

**FURTHER ORDERED,** that NHGC shall provide the Commission with its monthly calculation of the projected over



or under calculation, along with the resulting revised COG rate for the subsequent month, not less than five (5) business days prior to the first day of the subsequent month. NHGC shall include a revised tariff page 24 - Calculation of Cost of Gas and revised rate schedules if NHGC elects to adjust the COG rate; and it is

**FURTHER ORDERED,** that the over or under collection shall accrue interest at the Prime Rate as reported in the *Wall Street Journal*. The rate is to be adjusted each quarter using the rate reported on the first business day of the month preceding the first month of the quarter; and it is

**FURTHER ORDERED,** that NHGC shall file properly annotated tariff pages in compliance with this Order no later than 15 days from the issuance date of this Order, as required by N.H. Admin. Rules, Puc 1603.

By order of the Public Utilities Commission of New Hampshire this twentieth day of April, 2001.

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Douglas L. Patch  
Chairman

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Susan S. Geiger  
Commissioner

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Nancy Brockway  
Commissioner

Attested by:

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Thomas B. Getz  
Executive Director and Secretary